

Property Tax Payments, 2002-2003

- Jay County -

Indiana Legislative Services Agency

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The Indiana Supreme Court found Indiana's true tax value assessment rules to be unconstitutional in December 1998. Major changes in property tax payments in each county from 2002 to 2003 were caused by several factors, including:

- The move from the old true tax value assessment rules to the new market-oriented rules during the 2002-2003 property tax reassessment.
- Tax levy increases by local taxing units, which are influenced by spending and the availability of other revenue sources.
- The tax restructuring provisions enacted by the General Assembly in 2002 to help mitigate some of the effects of the assessment changes.

State Tax Credits Increased in Jay County from \$3.5 Million in 2002 to \$6.2 Million in 2003.

The General Assembly's restructuring provisions increased state tax credits statewide in 2003 from \$1.12 billion to \$1.87 billion, an increase of approximately \$748 million. In Jay County, state tax credits increased

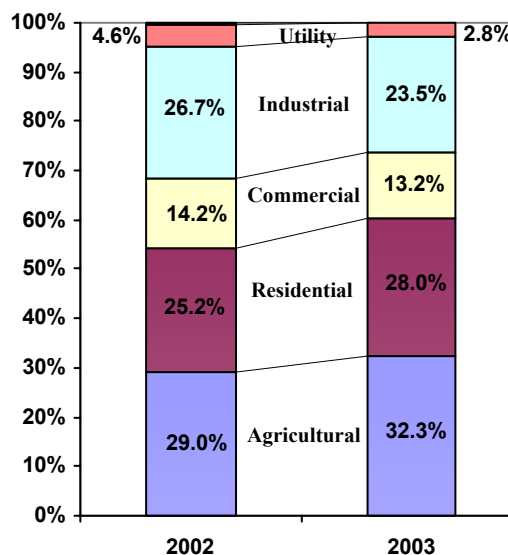
Table 1. Changes in AV and Tax Bills by Property Class for Jay County, 2002-2003.

Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	78.6%	68.1%	9.6%
Residential (All)	89.4%	60.3%	9.5%
Homestead Only	88.5%	47.6%	-2.5%
Commercial	24.7%	24.0%	-8.4%
Industrial	18.1%	5.4%	-13.3%
Utility	-24.2%	-24.2%	-40.4%
Avg. All Classes	57.0%	41.8%	-1.4%

from \$3.5 million to \$6.2 million, an increase of \$2.7 million. This paper provides a brief summary of how these factors changed property tax liabilities in Jay County.

Tax Shifts. Jay County saw a property tax shift from businesses to residential and agricultural property owners. Tax bills paid by residential and agricultural property owners increased, while tax bills paid by commercial, industrial, and utility property owners decreased (see Table 1). [Restructuring also incorporated an increase in the Utility Receipts Tax to compensate for reduced property tax payments by utilities.] The reason for these shifts between classes of property was that the total of real plus personal property assessed values (AV) of residential and agricultural property increased more than the assessed values of business property. Gross assessed values of residential property almost doubled. Agricultural assessments increased almost 80%. Commercial and industrial assessments rose much less, and utility assessments

Figure 1. Share of Net Property Tax Billings in Jay County.



* May not total 100% due to taxes paid by exempt/undefined parcels.

actually declined. These figures include the effects of new construction, demolition and remodeling of property, as well as the effects of reassessment, tax restructuring and levy increases.

Homeowners and Renters. The residential property type includes both homestead and non-homestead residential property. Owners of residential and agricultural homesteads in Jay County saw their tax bills decrease while the average residential property increased. A property is eligible for the homestead deduction and credit if it is occupied by its owner and is the owner's primary residence. The increase in the homestead deduction from \$6,000 to \$35,000 is the reason that residential net assessed value rose so much less than gross assessed value.

Tax bills on non-homestead residential property, which is primarily rental property, increased much more than for homestead property. Taxes rose because rental assessments increased as much as homestead assessments, but rental property was not eligible for the homestead deduction or homestead credit.

Table 2 shows tax changes for comparable properties, those with physical features that were unchanged from 2002 to 2003. In Jay County, substantially more residential property owners (including both homeowners and rental property owners) saw tax bill increases than decreases in 2003. Separately, more homestead owners saw decreases rather than increases.

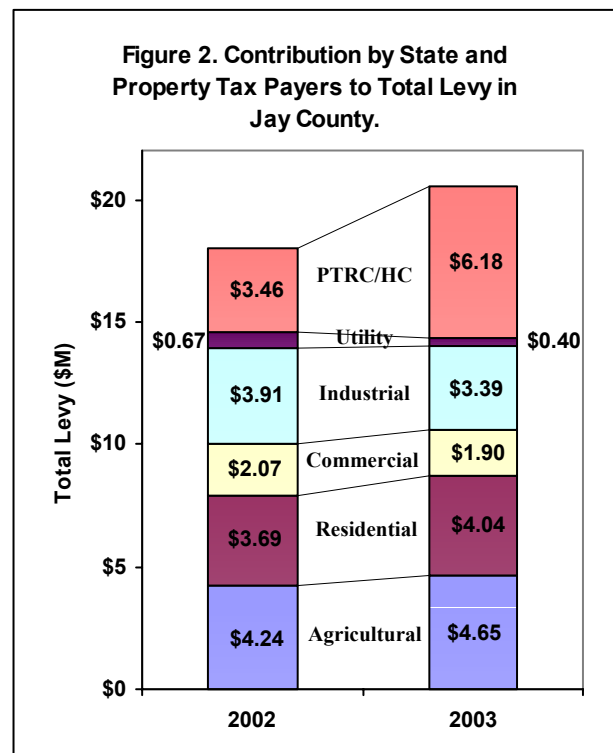
Table 2. Distribution of Net Tax Changes on Comparable Residential Property in Jay County.				
	Residential - Actual -	Homestead - Actual -	Residential - NO Levy Change -	Homestead - NO Levy Change -
Increased	63.9%	45.1%	58.1%	37.5%
Decreased	36.1%	54.9%	41.9%	62.5%
Increased 100% or More	17.9%	10.2%	13.6%	9.0%
Decreased 25% or More	17.3%	26.1%	23.2%	35.3%
Average Change (\$)	\$40	-\$52	-\$3	-\$97
Average Change (%)	8.8%	-9.2%	-0.8%	-17.1%
* Percentages represent the percentage of parcels affected.				

Not all of the tax bill change was due to reassessment and tax restructuring. Some was due to increases in the tax levies of local units of government. Table 2 shows estimates of what would have happened had tax levies remained unchanged. The estimates are made by recalculating tax rates for 2003 using tax levies from 2002.

With no levy changes, more than half of all residential property owners still would have seen tax increases, and less than half would have seen tax decreases. For homesteads, more than 60% would have seen decreases. Apart from levy increases, reassessment and restructuring reduced the taxes of more homeowners than they increased.

Agriculture. Taxes on agricultural property in Jay County rose. Overall, agricultural business taxes rose while agricultural homestead taxes declined. The net assessed value on non-homestead agricultural real property almost doubled. This reflects the 112% increase in the base rate of farm land, from \$495 to \$1,050 per acre. Agricultural net personal property assessments increased by a smaller amount.

Business. Taxes on business property fell in Jay County because assessed values rose much less than residential



and agricultural assessments. Business real property was assessed closer to the market value standard under the old assessment rules than was residential property. Consequently, the shift to market value assessment increased business assessments less. The general rise in assessed values in Jay County reduced tax rates, and this cut tax bills for owners of property with smaller assessment increases, like businesses.

Tax Restructuring. The tax restructuring of 2002 made significant changes to property tax assessments, deductions, credits, and hence to overall tax payments. Restructuring reversed personal property rule changes which the Department of Local Government Finance had put in place. It replaced one tax break for homeowners, known as the shelter allowance, with a larger (in most cases) homestead deduction. Restructuring also increased property tax replacement credits (PTRC) from the existing 20% credit. PTRC on school general fund levies is now 60% for all property. A 20% PTRC is paid to real property owners on civil levies plus the remaining school general fund levies (after the 60% credit). Restructuring also raised the homestead credit to 20% of net qualifying levies, instead of allowing it to revert to 4% of gross qualifying levies in 2003. Figure 2 shows the net levies paid by each property classification along with the PTRC and state homestead credit contributions. The contribution to local levies in Jay County by PTRC and state homestead credit payments increased by approximately 79%, from \$3.5 million to \$6.2 million.

Table 3 shows estimates of how Jay County tax bills would have changed for each property type had tax restructuring not been adopted. Tax increases for residential and agricultural property owners would have been particularly large. The increases in the homestead deduction and PTRC in the tax restructuring reduced the size of these tax increases. Jay County residential property taxes still increased. However, residential homestead taxes decreased because the reassessment business-to-residential tax shift, plus the increase in the tax levy, was more than offset by the rise in the homestead deduction and higher state PTRC payments. The larger PTRC payments are also responsible for increasing the tax cuts received by commercial property. The elimination of PTRC for personal property reduced the tax cuts received by industrial and commercial property. The percentage changes in the “With Restructuring” column of Table 3 correspond to the changes in the net levies in Figure 2.

Property Type	No Restructuring (Estimated)	With Restructuring (Actual)	Difference
Agricultural	27.8%	9.6%	-18.1%
Residential (All)	60.4%	9.5%	-50.9%
Homestead Only	71.8%	-2.5%	-74.3%
Commercial	-6.7%	-8.4%	-1.7%
Industrial	-17.3%	-13.3%	4.0%
Utility	-47.3%	-40.4%	6.9%

List of Attached Summary Tables. Four summary tables are attached to provide additional information regarding assessed values and taxes by property class.

Summary Table 1: Comparison of 2002 and 2003 Net Property Tax Billings by Property Classification. This table summarizes net tax billings for real and personal property by property class. Additional information is provided for subclasses such as homesteads, agricultural homesteads, agricultural land, and rental properties.

Summary Table 2: Comparison of 2002 and 2003 Net Assessed Value by Property Classification. This table summarizes net assessed values for the same property classes described in Summary Table 1.

Summary Table 3: Changes in Assessed Values, Deductions, Credits, and Net Levies. This table summarizes the county-wide changes in tax bill components from 2002 to 2003 for real and personal property by property class.

Summary Table 4: Residential Property Summary. This table summarizes the assessed value and net tax changes from 2002 to 2003 for residential property. The table includes a distribution of net tax changes for comparable residential properties and for the homestead component of residential property. The table also depicts the distribution of changes as if there were no levy increase in 2003.

Jay County
Changes in Assessed Values, Deductions, Credits and Net Levies
Pay 2002 - Pay 2003

	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Pay 2002							
Real Gross Assessed Value	476,709,035	182,534,947	193,872,339	155,609,699	50,077,181	47,835,733	2,388,834
Real Deductions	59,278,432	10,538,500	48,449,380	48,449,380	278,764	11,788	0
Real Net Assessed Value	417,430,603	171,996,447	145,422,959	107,160,319	49,798,417	47,823,945	2,388,834
Personal Gross Assd. Value	185,011,627	21,697,030	3,293,440	0	23,963,975	111,089,359	24,967,823
Personal Deductions	29,479,460	0	0	0	1,080,760	28,398,700	0
Personal Net Assd. Value	155,532,167	21,697,030	3,293,440	0	22,883,215	82,690,659	24,967,823
Total Gross Assessed Value	661,720,662	204,231,977	197,165,779	155,609,699	74,041,156	158,925,093	27,356,657
Total Deductions	88,757,892	10,538,500	48,449,380	48,449,380	1,359,524	28,410,488	0
Total Net Assessed Value	572,962,770	193,693,477	148,716,399	107,160,319	72,681,632	130,514,605	27,356,657
Gross Levy	18,008,945	5,146,284	4,819,761	3,425,992	2,504,035	4,736,693	802,171
PTRC (Calculated)	3,010,292	808,493	814,570	576,260	430,035	826,162	131,032
State/County Homestead Cr. (Calculated)	413,845	95,269	318,576	318,576	0	0	0
Net Levy	14,584,808	4,242,521	3,686,616	2,531,156	2,074,000	3,910,532	671,139
Pay 2003							
Real Gross Assessed Value	833,272,420	340,153,297	370,623,625	293,335,011	69,040,049	50,932,126	2,523,323
Real Deductions	179,058,524	39,241,212	135,123,083	135,123,083	970,930	3,723,299	0
Real Net Assessed Value	654,213,896	300,912,085	235,500,542	158,211,928	68,069,119	47,208,827	2,523,323
Personal Gross Assd. Value	205,824,982	24,671,370	2,867,510	0	23,276,326	136,792,837	18,216,939
Personal Deductions	47,584,870	0	3,000	0	1,196,670	46,385,200	0
Personal Net Assd. Value	158,240,112	24,671,370	2,864,510	0	22,079,656	90,407,637	18,216,939
Total Gross Assessed Value	1,039,097,402	364,824,667	373,491,135	293,335,011	92,316,375	187,724,962	20,740,263
Total Deductions	226,643,394	39,241,212	135,126,083	135,123,083	2,167,600	50,108,499	0
Total Net Assessed Value	812,454,008	325,583,455	238,365,052	158,211,928	90,148,775	137,616,463	20,740,263
Gross Levy	20,481,194	6,897,578	6,326,434	4,101,091	2,571,019	4,188,319	497,844
PTRC (Calculated)	5,596,574	2,139,206	1,888,801	1,232,079	671,309	799,323	97,935
State/County Homestead Cr. (Calculated)	509,502	107,694	401,808	401,808	0	0	0
Net Levy	14,375,119	4,650,679	4,035,825	2,467,204	1,899,710	3,388,996	399,908
COMPARISONS							
Net Levy Percent Change	-1.4%	9.6%	9.5%	-2.5%	-8.4%	-13.3%	-40.4%
Contributions to Tax Bill Changes, 2002-2003							
Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	74.8%	86.3%	91.2%	88.5%	37.9%	6.5%	5.6%
Gross Personal AV	11.2%	13.7%	-12.9%	0.0%	-2.9%	23.1%	-27.0%
Total Gross Assessed Value	57.0%	78.6%	89.4%	88.5%	24.7%	18.1%	-24.2%
Net Assessed Value	41.8%	68.1%	60.3%	47.6%	24.0%	5.4%	-24.2%
Gross Levy	13.7%	34.0%	31.3%	19.7%	2.7%	-11.6%	-37.9%
Net Levy	-1.4%	9.6%	9.5%	-2.5%	-8.4%	-13.3%	-40.4%
Actual State Credits, 2002 and 2003							
	2002	2003	Change	Change%			
PTRC (Abstract)	3,019,185	5,668,847	2,649,662	87.8%			
State Homestead Cr. (Abstract)	443,058	514,543	71,485	16.1%			
Total State Credits (Abstract)	3,462,244	6,183,390	2,721,147	78.6%			

Comparison of 2002 and 2003 Net Property Tax Billings*
(Scaled to Abstract Values)
By Property Classification**
Jay County

Property Classification	2002 Net Tax	2003 Net Tax	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	4,242,521	4,650,679	408,158	9.6%	29.0%	32.3%	3.3%
Residential	3,686,616	4,035,825	349,209	9.5%	25.2%	28.0%	2.8%
Commercial	2,074,000	1,899,710	-174,290	-8.4%	14.2%	13.2%	-1.0%
Industrial	3,910,532	3,388,996	-521,536	-13.3%	26.7%	23.5%	-3.2%
Utility	671,139	399,908	-271,231	-40.4%	4.6%	2.8%	-1.8%
Exempt	37,481	33,425	-4,056	-10.8%	0.3%	0.2%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	14,622,289	14,408,543	-213,746	-1.5%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	3,757,055	4,236,394	479,339	12.8%	25.7%	29.4%	3.7%
Residential	3,604,632	3,988,840	384,208	10.7%	24.7%	27.7%	3.0%
Commercial	1,451,747	1,400,252	-51,495	-3.5%	9.9%	9.7%	-0.2%
Industrial	1,397,075	992,013	-405,062	-29.0%	9.6%	6.9%	-2.7%
Utility	58,083	41,686	-16,397	-28.2%	0.4%	0.3%	-0.1%
Exempt	37,481	33,425	-4,056	-10.8%	0.3%	0.2%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	10,306,073	10,692,610	386,537	3.8%	70.5%	74.2%	3.7%
Agricultural Homesteads	1,601,241	1,573,087	-28,154	-1.8%	11.0%	10.9%	0.0%
Residential Homesteads	2,531,156	2,467,204	-63,952	-2.5%	17.3%	17.1%	-0.2%
Total Homesteads	4,132,397	4,040,291	-92,106	-2.2%	28.3%	28.0%	-0.2%
Non-Homestead Residential	1,073,476	1,521,636	448,160	41.7%	7.3%	10.6%	3.2%
Apartments (Over 4 Units)	204,510	192,067	-12,443	-6.1%	1.4%	1.3%	-0.1%
<u>Personal Property Only</u>							
Agricultural	485,466	414,284	-71,182	-14.7%	3.3%	2.9%	-0.4%
Residential	81,984	46,985	-34,999	-42.7%	0.6%	0.3%	-0.2%
Commercial	622,253	499,459	-122,794	-19.7%	4.3%	3.5%	-0.8%
Industrial	2,513,457	2,396,983	-116,474	-4.6%	17.2%	16.6%	-0.6%
Utility	613,056	358,223	-254,833	-41.6%	4.2%	2.5%	-1.7%
Total	4,316,216	3,715,934	-600,282	-13.9%	29.5%	25.8%	-3.7%
Total Depreciables	3,023,809	2,567,354	-456,455	-15.1%	20.7%	17.8%	-2.9%
Total Inventory	1,210,422	1,101,594	-108,828	-9.0%	8.3%	7.6%	-0.6%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	2,155,814	2,663,308	507,494	23.5%	14.7%	18.5%	3.7%
Ag Personal	485,466	414,284	-71,182	-14.7%	3.3%	2.9%	-0.4%
Total Ag Business	2,641,280	3,077,592	436,312	16.5%	18.1%	21.4%	3.3%
Ag Homesteads	1,601,241	1,573,087	-28,154	-1.8%	11.0%	10.9%	0.0%

* "Tax billings" for real property refers to the net taxes charged per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Tax billings" for personal property refers to the net taxes charged on the personal property assessed value reported on the county auditor's abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net tax changes from 2002 to 2003 include effects of changes in assessment methods, local levies, real property physical characteristics, property use, personal property held or acquired, deductions, and credits.

Comparison of 2002 and 2003 Net Assessed Value*
(Scaled to Abstract Values)
By Property Classification**
Jay County

Property Classification	2002 Net AV	2003 Net AV	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	193,693,477	325,583,455	131,889,978	68.1%	33.7%	40.0%	6.3%
Residential	148,716,399	238,365,052	89,648,653	60.3%	25.9%	29.3%	3.4%
Commercial	72,681,632	90,148,775	17,467,143	24.0%	12.7%	11.1%	-1.6%
Industrial	130,514,605	137,616,463	7,101,858	5.4%	22.7%	16.9%	-5.8%
Utility	27,356,657	20,740,263	-6,616,394	-24.2%	4.8%	2.5%	-2.2%
Exempt	1,308,585	1,619,510	310,925	23.8%	0.2%	0.2%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	574,271,355	814,073,518	239,802,163	41.8%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	171,996,447	300,912,085	128,915,638	75.0%	30.0%	37.0%	7.0%
Residential	145,422,959	235,500,542	90,077,583	61.9%	25.3%	28.9%	3.6%
Commercial	49,798,417	68,069,119	18,270,702	36.7%	8.7%	8.4%	-0.3%
Industrial	47,823,945	47,208,827	-615,118	-1.3%	8.3%	5.8%	-2.5%
Utility	2,388,834	2,523,323	134,489	5.6%	0.4%	0.3%	-0.1%
Exempt	1,308,585	1,619,510	310,925	23.8%	0.2%	0.2%	0.0%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	418,739,187	655,833,406	237,094,219	56.6%	72.9%	80.6%	7.6%
Agricultural Homesteads	75,715,403	116,387,514	40,672,111	53.7%	13.2%	14.3%	1.1%
Residential Homesteads	107,160,319	158,211,928	51,051,609	47.6%	18.7%	19.4%	0.8%
Total Homesteads	182,875,722	274,599,442	91,723,720	50.2%	31.8%	33.7%	1.9%
Non-Homestead Residential	38,262,640	77,288,614	39,025,974	102.0%	6.7%	9.5%	2.8%
Apartments (Over 4 Units)	6,610,757	8,668,991	2,058,234	31.1%	1.2%	1.1%	-0.1%
<u>Personal Property Only</u>							
Agricultural	21,697,030	24,671,370	2,974,340	13.7%	3.8%	3.0%	-0.7%
Residential	3,293,440	2,864,510	-428,930	-13.0%	0.6%	0.4%	-0.2%
Commercial	22,883,215	22,079,656	-803,559	-3.5%	4.0%	2.7%	-1.3%
Industrial	82,690,659	90,407,637	7,716,978	9.3%	14.4%	11.1%	-3.3%
Utility	24,967,823	18,216,939	-6,750,884	-27.0%	4.3%	2.2%	-2.1%
Total	155,532,167	158,240,112	2,707,945	1.7%	27.1%	19.4%	-7.6%
Total Depreciables	108,718,758	107,323,905	-1,394,853	-1.3%	18.9%	13.2%	-5.7%
Total Inventory	43,519,969	48,051,697	4,531,728	10.4%	7.6%	5.9%	-1.7%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	96,281,044	184,524,572	88,243,528	91.7%	16.8%	22.7%	5.9%
Ag Personal	21,697,030	24,671,370	2,974,340	13.7%	3.8%	3.0%	-0.7%
Total Ag Business	117,978,074	209,195,942	91,217,868	77.3%	20.5%	25.7%	5.2%
Ag Homesteads	75,715,403	116,387,514	40,672,111	53.7%	13.2%	14.3%	1.1%

* "Net Assessed Value" for real property refers to the gross AV less deductions per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Net Assessed Value" for personal property refers to the gross personal property assessed value reported on the county auditor's abstract less the deductions reported on the abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net AV changes from 2002 to 2003 include effects of changes in assessment methods, real property physical characteristics, property use, personal property held or acquired, and deductions.

**Jay County
Residential Property Summary
2003 Reassessment**

Property Type	Change in Gross AV 2002 to 2003	Change in Net AV 2002 to 2003	Change in Net Tax 2002 to 2003	Change in Net Tax With NO Cert. Levy Chg. 2002 to 2003
All Real Residential Properties	104%	66%	14%	4%
Comparable Residential Real Prop.	96%	59%	9%	-1%
Comparable Homesteads	93%	39%	-9%	-17%

Distribution of Net Tax Changes on Comparable Residential Property

% Change		2002 to 2003 Actual Bills All Residential Property		2002 to 2003 Actual Bills Homesteads Only		2002 to 2003 Recomputed Bills With NO Certified Levy Change All Residential Property		2002 to 2003 Recomputed Bills With NO Certified Levy Change Homesteads	
Over	300%	311	4.0%	151	3.3%	262	3.4%	131	2.8%
200%	to 300%	212	2.7%	85	1.8%	164	2.1%	63	1.4%
100%	to 200%	869	11.2%	236	5.1%	627	8.1%	221	4.8%
50%	to 100%	1,420	18.4%	366	7.9%	1,316	17.0%	272	5.9%
25%	to 50%	814	10.5%	361	7.8%	843	10.9%	301	6.5%
10%	to 25%	601	7.8%	413	9.0%	575	7.4%	328	7.1%
5%	to 10%	224	2.9%	170	3.7%	227	2.9%	149	3.2%
0	to 5%	486	6.3%	296	6.4%	474	6.1%	264	5.7%
0	to -5%	261	3.4%	234	5.1%	256	3.3%	195	4.2%
-5%	to -10%	278	3.6%	247	5.4%	254	3.3%	209	4.5%
-10%	to -25%	908	11.8%	849	18.4%	930	12.0%	848	18.4%
-25%	to -50%	1,130	14.6%	1,036	22.5%	1,455	18.8%	1,344	29.1%
Below	-50%	212	2.7%	167	3.6%	343	4.4%	286	6.2%
		7,726	100.0%	4,611	100.0%	7,726	100.0%	4,611	100.0%
Parcels With Increases		4,937	63.9%	2,078	45.1%	4,488	58.1%	1,729	37.5%
Parcels With Reductions		2,789	36.1%	2,533	54.9%	3,238	41.9%	2,882	62.5%
Average \$ Change		\$40		-\$52		-\$3		-\$97	
Average % Change		8.8%		-9.2%		-0.8%		-17.1%	

"Comparable Properties" = Properties with a record in both years that have improvements in both years OR no improvements in both years.

Data Source: 2001 and 2003 County Parcel Tax Data - County Auditor and County Assessor
Prepared by Legislative Services Agency, June 2005.